

CORNING COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2013

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**Corning Community School District
Board Of Education and School District Officials
As of Year Ended June 30, 2013**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2012 Election)		
Lori Harvey	President	2015
Gary Goldsmith	Vice President	2013
Scott Shuey	Board Member	2013
Scott Atkin	Board Member	2015
Kenya Haffner	Board Member	2015
(After September 2012 Election)		
Kenya Haffner	President	Resigned June 10, 2013
Gary Goldsmith	Vice President	2013
Scott Shuey	Board Member	2013
Scott Akin	Board Member	Resigned October 4, 2012
Lori Harvey	Board Member	2015
Gwen Larsen	Board Member	Appointed October 4, 2012
School District Officials		
William Stone	Superintendent	2013
Jodi Lyddon	District Secretary/Treasurer	2013
Rick Engel	Attorney	Indefinite



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corning Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra, & Meyer, PC
Certified Public Accountants

October 30, 2013

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$5,086,774 in fiscal 2012 to \$4,975,605 in fiscal 2013, while General Fund expenditures increased from \$5,318,504 in 2012 to \$5,415,814 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,486,490 in fiscal 2012 to \$1,049,210 in fiscal 2013, a 29.4 percent decrease from the prior year.
- The decrease in General Fund revenues was mostly attributable to our decrease in enrollment and decrease in sharing funds. The increase in expenditures was due to salary, health insurance and IPERS increases.
- Overall, the District's net assets in the governmental activities decreased by \$600,000 and decreased by \$1,000 in the business-type activities.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

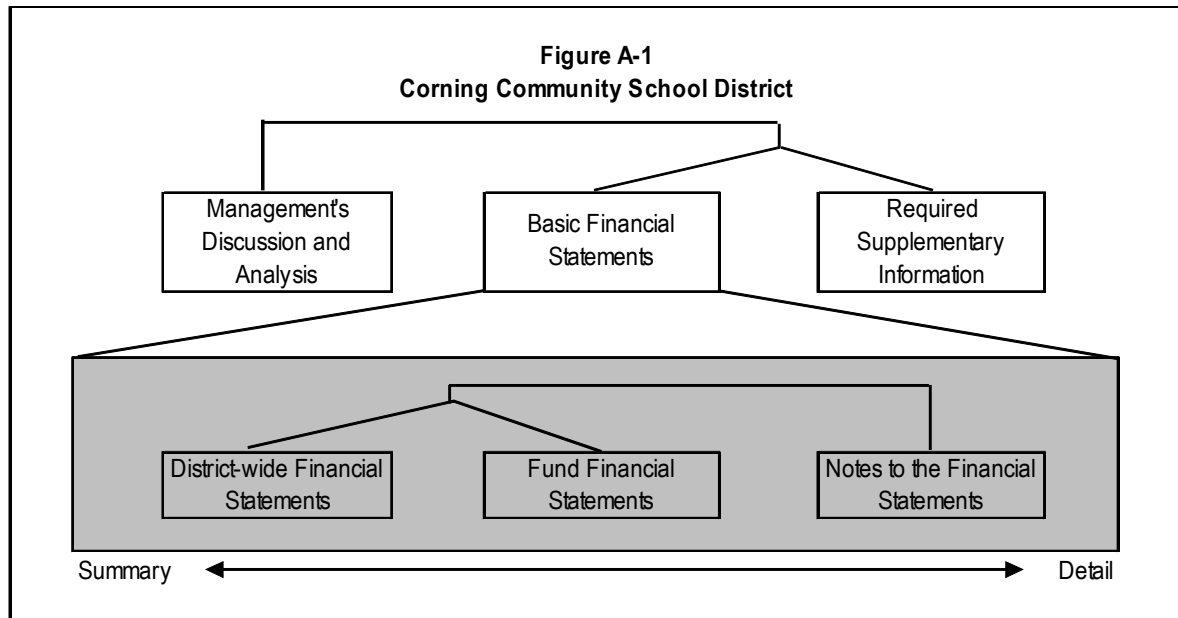


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: · food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	· Statement of Net Position · Statement of activities	· Balance sheet · Statement of revenues, expenditures, and changes in fund balances	· Statement of Net Position · Statement of revenues, expenses and changes in Net Position · Statement of cash flows	· Statement of fiduciary Net Position · Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 5,575	6,112	29	29	5,604	6,141	-8.7%
Capital assets	9,757	9,966	52	58	9,809	10,024	-2.1%
Total assets	15,332	16,078	81	87	15,413	16,165	-4.7%
Long-term liabilities	7,487	7,709	22	27	7,509	7,736	-2.9%
Other liabilities	3,352	3,276	-	-	3,352	3,276	2.3%
Total liabilities	10,839	10,985	22	27	10,861	11,012	-1.4%
Net Position:							
Invested in capital assets, net of related debt	2,937	2,896	52	58	2,989	2,954	1.2%
Restricted	1,406	1,455	-	-	1,406	1,455	-3.4%
Unrestricted	150	742	7	2	157	744	-78.9%
Total Net Position	\$ 4,493	5,093	59	60	4,552	5,153	-11.7%

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2013 compared to June 30, 2012.

**Figure A-4
Changes in Net Position
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 502	579	71	68	573	647	-11.4%
Operating grants, contributions and restricted interest	848	849	149	150	997	999	-0.2%
General revenues:							
Property tax	2,611	2,528	-	-	2,611	2,528	3.3%
Statewide sales, service and use tax	325	307	-	-	325	307	5.9%
Unrestricted state grants	1,678	1,882	-	-	1,678	1,882	-10.8%
Unrestricted investment earnings	1	2	-	-	1	2	-50.0%
Other	29	46	-	-	29	46	-37.0%
Total revenues	5,994	6,193	220	218	6,214	6,411	-3.1%
Program expenses:							
Governmental activities:							
Instruction	4,074	3,968	-	-	4,074	3,968	2.7%
Support services	1,911	1,910	-	-	1,911	1,910	0.1%
Non-instructional programs	-	-	221	232	221	232	-4.7%
Other expenses	609	879	-	-	609	879	-30.7%
Total expenses	6,594	6,757	221	232	6,815	6,989	-2.5%
Change in Net Position	\$ (600)	(564)	(1)	(14)	(601)	(578)	0

Property tax and unrestricted state grants account for 69 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,994,000 and expenses were \$6,594,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$ 4,074	3,968	2.7%	2,904	2,718	6.8%
Support services	1,911	1,910	0.1%	1,907	1,911	-0.2%
Non-instructional programs	-	-	-	-	-	-
Other expenses	609	879	-30.7%	433	701	-38.2%
Totals	\$ 6,594	6,757	-2.4%	5,244	5,330	-1.6%

**Corning Community School District
Management's Discussion and Analysis
Year ended June 30, 2013**

- The cost financed by users of the District's programs was \$501,858.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$848,318.
- The net cost of governmental activities was financed with \$2,611,483 in property tax, 324,996 in local option sales and service tax, \$1,677,706 in state foundation aid, \$847 in interest income, and 29,470 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$219,811 and expenses were \$221,145. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$2,237,973, below last year's ending fund balances of \$2,775,013. The primary reason for the decrease in combined fund balances in fiscal 2013 was due to expenditures for increases in salaries and benefits and final payouts for the high school renovation project.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,486,490 to \$1,049,210. The District's decreasing General Fund financial position is the product of many factors. The district increased in general fund expenditures due to increases in salaries and benefits.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$410,841 in fiscal 2012 to \$296,608 in fiscal 2013.
- The Statewide Sales, Services and Use Tax balance increased from \$417,847 in fiscal 2012 to \$429,089 in fiscal 2013.
- The Management Fund balance increased from \$290,826 in fiscal year 2012 to \$300,602 in fiscal 2013.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$60,253 in fiscal 2012 to \$58,919 in fiscal 2013, representing a decrease of 2%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 39-40.

Legal Budgetary Highlights

The District's total actual receipts were \$221,450 more than the total budgeted receipts, a variance of 3.5%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$9,809,219, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$362,815.

The original cost of the District's capital assets were \$13,472,561. Governmental funds account for \$13,247,615 with the remainder of \$224,946 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 194	194	-	-	194	194	0.0%
Construction in progress	-	-	-	-	-	-	-
Buildings	8,280	8,493	-	-	8,280	8,493	-2.5%
Improvements other than buildings	346	394	-	-	346	394	-12.2%
Furniture and equipment	937	885	52	58	989	943	4.9%
Totals	\$ 9,757	9,966	52	58	9,809	10,024	-2.1%

Long-Term Debt

At June 30, 2013, the District had \$5,160,000, in general obligation bonds, \$1,660,000 in revenue bonds and \$112,000 for an early-retirement plan. This represents a decrease of approximately 2.9% percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
General obligation bonds	\$ 5,160	5,360	-3.7%
Revenue bonds	1,660	1,710	-
Early retirement	112	188	-40.4%
Compensated absences	64	57	-12.3%
Net OPEB liability	491	394	-87.3%
Totals	\$ 7,487	7,709	-2.9%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

Corning Community School District
Statement of Net Position
June 30, 2013

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,662,627	26,514	2,689,141
Receivables:			
Property tax:			
Delinquent	37,260	-	37,260
Succeeding year	2,612,559	-	2,612,559
Income surtax	93,247	-	93,247
Accounts	4,474	-	4,474
Due from other governments	142,896	-	142,896
Inventories	-	2,152	2,152
Bond issuance costs, net of accumulated amortization	21,241	-	21,241
Capital assets, net of accumulated depreciation	9,757,364	51,855	9,809,219
Total assets	15,331,668	80,521	15,412,189
Liabilities			
Accounts payable	99,501	-	99,501
Salaries and benefits payable	487,004	-	487,004
Accrued interest payable	36,675	-	36,675
Deferred revenue:			
Succeeding year property tax	2,612,559	-	2,612,559
Income surtax	93,247	-	93,247
Other	22,779	-	22,779
Long-term liabilities:			
Portion due within one year:			
Compensated absences	64,125	4,275	68,400
General obligation bonds	210,000	-	210,000
Early retirement	68,132	-	68,132
Portion due after one year:			
Net OPEB liability	490,930	17,327	508,257
General obligation bonds	4,950,000	-	4,950,000
Revenue bonds	1,660,000	-	1,660,000
Early retirement	43,795	-	43,795
Total liabilities	10,838,747	21,602	10,860,349
Net Position			
Net investment in capital assets	2,937,364	51,855	2,989,219
Restricted for:			
Categorical funding	253,971	-	253,971
Management levy purposes	300,602	-	300,602
Physical plant and equipment levy	296,608	-	296,608
Capital projects	278,645	-	278,645
Student activities	98,087	-	98,087
Debt service	178,146	-	178,146
Unrestricted	149,498	7,064	156,562
Total net position	\$ 4,492,921	58,919	4,551,840

See notes to financial statements.

Corning Community School District
Statement of Activities
Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 2,615,169	247,986	362,634	(2,004,549)	-	(2,004,549)
Special	810,153	43,956	293,002	(473,195)	-	(473,195)
Other	648,352	209,916	12,551	(425,885)	-	(425,885)
	4,073,674	501,858	668,187	(2,903,629)	-	(2,903,629)
Support Service:						
Student	6,563	-	-	(6,563)	-	(6,563)
Instructional staff	309,490	-	-	(309,490)	-	(309,490)
Administration	661,765	-	-	(661,765)	-	(661,765)
Operating and maintenance of plant	583,576	-	4,387	(579,189)	-	(579,189)
Transportation	349,759	-	-	(349,759)	-	(349,759)
	1,911,153	-	4,387	(1,906,766)	-	(1,906,766)
Other expenditures:						
Facilities acquisition	152,938	-	-	(152,938)	-	(152,938)
Long-term debt interest	280,504	-	-	(280,504)	-	(280,504)
AEA flowthrough	175,744	-	175,744	-	-	-
	609,186	-	175,744	(433,442)	-	(433,442)
Total governmental activities	6,594,013	501,858	848,318	(5,243,837)	-	(5,243,837)
Business type activities:						
Non-instructional programs:						
Food service operations	221,145	71,190	148,602	-	(1,353)	(1,353)
	221,145	71,190	148,602	-	(1,353)	(1,353)
Total primary government	\$ 6,815,158	573,048	996,920	(5,243,837)	(1,353)	(5,245,190)

Corning Community School District
Statement of Activities
Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating Grants, Contributions and			
	Expenses	Charges for Service	Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,815,158	573,048	996,920	(5,243,837)	(1,353)	(5,245,190)
General Revenues:						
Property tax levied for:						
General purposes				2,146,860	-	2,146,860
Debt service				279,633	-	279,633
Capital outlay				184,990	-	184,990
Statewide sales, services and use tax				324,996	-	324,996
Unrestricted state grants				1,677,706	-	1,677,706
Unrestricted investment earnings				847	19	866
Other				108,624	-	108,624
Gain (loss) on disposal of assets				(87,107)	-	(87,107)
Contributions not restricted to specific programs				7,953	-	7,953
Total general revenues				4,644,502	19	4,644,521
Change in net position				(599,335)	(1,334)	(600,669)
Net position beginning of year, as restated				5,092,256	60,253	5,152,509
Net position end of year				\$ 4,492,921	58,919	4,551,840

See notes to financial statements.

Corning Community School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Capital Projects	Non-major	Total
Assets and Other Debits					
Cash and pooled investments	\$ 1,456,167	60,562	744,495	401,403	2,662,627
Receivables:					
Property tax:					
Delinquent	29,332	3,815	2,524	1,589	37,260
Succeeding year	1,766,230	430,550	190,054	225,725	2,612,559
Income surtax	93,247	-	-	-	93,247
Accounts	930	-	-	3,544	4,474
Due from other governments	120,766	-	22,130	-	142,896
Total assets and other debits	\$ 3,466,672	494,927	959,203	632,261	5,553,063
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 48,202		43,452	7,847	99,501
Salaries and benefits payable	487,004	-	-	-	487,004
Deferred revenue:					
Succeeding year property tax	1,766,230	430,550	190,054	225,725	2,612,559
Income surtax	93,247	-	-	-	93,247
Other	22,779	-	-	-	22,779
Total liabilities	2,417,462	430,550	233,506	233,572	3,315,090
Fund balances:					
Restricted for:					
Categorical funding	253,971	-	-	-	253,971
Debt service	-	64,377	150,444	-	214,821
Management levy purposes	-	-	-	300,602	300,602
Student activities	-	-	-	98,087	98,087
School infrastructure	-	-	278,645	-	278,645
Physical plant and equipment	-	-	296,608	-	296,608
Unassigned	795,239	-	-	-	795,239
Total fund balances	1,049,210	64,377	725,697	398,689	2,237,973
Total liabilities and fund balances	\$ 3,466,672	494,927	959,203	632,261	5,553,063

See notes to financial statements.

Exhibit D

**Corning Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2013**

Total fund balances of governmental funds (Exhibit C)	\$ 2,237,973
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,757,364
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(36,675)
--	----------

Long-term liabilities, including bonds payable, bond issuance costs, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

General obligations bonds payable	\$ (5,160,000)	
Revenue bonds payable	(1,660,000)	
Bond issuance costs	21,241	
Early retirement	(111,927)	
Compensated absences	(64,125)	
Other postemployment benefits	(490,930)	(7,465,741)

Net position of governmental activities (Exhibit A)	\$ 4,492,921
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See notes to financial statements.

Exhibit E

Corning Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 2,041,514	279,633	509,986	105,346	2,936,479
Tuition	296,395	-	-	-	296,395
Other	115,036	9	221	206,322	321,588
State sources	2,318,226	133	88	55	2,318,502
Federal sources	204,434	-	4,387	-	208,821
Total revenues	4,975,605	279,775	514,682	311,723	6,081,785
Expenditures:					
Current:					
Instruction:					
Regular	2,359,262	-	-	26,103	2,385,365
Special	765,166	-	-	-	765,166
Other	365,226	-	-	211,194	576,420
	3,489,654	-	-	237,297	3,726,951
Support services:					
Student	5,780	-	-	-	5,780
Instructional staff	276,973	-	1,597	-	278,570
Administration	634,183	-	-	15,613	649,796
Operation and maintenance of plant	516,638	-	-	28,773	545,411
Transportation	316,842	-	54,445	28,284	399,571
	1,750,416	-	56,042	72,670	1,879,128
Other expenditures:					
Facilities acquisition	-	-	309,437	-	309,437
Long-term debt:					
Principal	-	250,000	-	-	250,000
Interest and fiscal charges	-	280,494	-	-	280,494
AEA flowthrough	175,744	-	-	-	175,744
	175,744	530,494	309,437	-	1,015,675
Total expenditures	5,415,814	530,494	365,479	309,967	6,621,754
Excess (deficiency) of revenues over (under) expenditures	(440,209)	(250,719)	149,203	1,756	(539,969)
Other financing sources (uses):					
Proceeds from sale of assets	2,929	-	-	-	2,929
Operating transfers in	-	252,194	-	-	252,194
Operating transfers out	-	-	(252,194)	-	(252,194)
Total other financing sources	2,929	252,194	(252,194)	-	2,929
Net change in fund balances	(437,280)	1,475	(102,991)	1,756	(537,040)
Fund balances beginning of year, as restated	1,486,490	62,902	828,688	396,933	2,775,013
Fund balances end of year	\$ 1,049,210	64,377	725,697	398,689	2,237,973

See notes to financial statements.

Exhibit F

Corning Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statements of Activities
Year ended June 30, 2013

Net change in fund balances - total governmental funds (Exhibit E) **\$ (537,040)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 238,864	
Depreciation expense	(356,616)	
Proceeds from sale of assets	(2,929)	
Gain (loss) on disposal of assets	<u>(87,107)</u>	(207,788)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Bond principal repaid	250,000	
Amortization of bond issuance costs	<u>(1,385)</u>	248,615

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,375

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(7,425)	
Other postemployment benefits	<u>(97,072)</u>	(104,497)

Change in net position of governmental activities (Exhibit B) **\$ (599,335)**

See notes to financial statements.

Exhibit G

**Corning Community School District
Statement of Net Position
Proprietary Fund
June 30, 2013**

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 26,514
Inventories	2,152
Capital assets, net of accumulated depreciation	<u>51,855</u>
Total assets	<u>80,521</u>
Liabilities	
Compensated absences	4,275
Net OPEB liability	<u>17,327</u>
Total liabilities	<u>21,602</u>
Net Position	
Invested in capital assets	51,855
Unrestricted	<u>7,064</u>
Total net position	<u><u>\$ 58,919</u></u>

See notes to financial statements.

Exhibit H

Corning Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2013

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 71,190
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	80,650
Benefits	29,864
Purchased services	230
Supplies	104,202
Depreciation	6,199
Total operating expenses	221,145
Operating loss	(149,955)
Non-operating revenues:	
State sources	2,407
Federal sources	146,195
Interest income	19
Total non-operating revenues	148,621
Change in net position	(1,334)
Net position beginning of year	60,253
Net position end of year	\$ 58,919

See notes to financial statements.

Exhibit I

Corning Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 71,190
Cash payments to employees for services	(115,598)
Cash payments to suppliers for goods or services	(90,599)
Net cash used by operating activities	(135,007)
Cash flows from non-capital financing activities:	
State grants received	2,407
Federal grants received	132,703
Net cash provided by non-capital financing activities	135,110
Cash flows from investing activities:	
Interest on investments	19
Net increase in cash and cash equivalents	122
Cash and cash equivalents at beginning of year	26,392
Cash and cash equivalents at end of year	\$ 26,514
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (149,955)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,492
Depreciation	6,199
Decrease in inventories	341
Increase in compensated absences	225
(Decrease) in net OPEB liability	(5,309)
Net cash used by operating activities	\$ (135,007)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:	
Current assets:	
Cash and investments	\$ 26,514
Cash and cash equivalents at year end	\$ 26,514

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$13,492 of federal commodities.

See notes to financial statements.

Exhibit J

**Corning Community School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2013**

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 11,063
Total assets	<u>11,063</u>
Liabilities	
Accounts payable	11,063
Total liabilities	<u>11,063</u>
Net position	
Unassigned	<u>\$ -</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/Net Position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Deferred revenue on the Statement of Net Position consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, Net Position are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Bankers Trust		
ISJIT Diversified Fund		150,462
Iowa Schools Joint Investment Trust		
Diversified portfolio (amortized cost)		1,432,891
	\$	<u>1,603,353</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The negotiable certificates of deposit are stated at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 252,194

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance beginning of year, as restated	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,489	-	-	193,489
Construction in progress	-	-	-	-
Total capital assets not being depreciated	193,489	-	-	193,489
Capital assets being depreciated:				
Buildings	10,636,761	-	11,653	10,625,108
Improvements other than buildings	988,759	5,829	163,909	830,679
Furniture and equipment	1,995,581	233,035	630,277	1,598,339
Total capital assets being depreciated	13,621,101	238,864	805,839	13,054,126
Less accumulated depreciation for:				
Buildings	2,143,516	205,811	4,439	2,344,888
Improvements other than buildings	594,645	26,462	136,655	484,452
Furniture and equipment	1,111,277	124,343	574,709	660,911
Total accumulated depreciation	3,849,438	356,616	715,803	3,490,251
Total capital assets being depreciated, net	9,771,663	(117,752)	90,036	9,563,875
Governmental activities capital assets, net	\$ 9,965,152	(117,752)	90,036	9,757,364
Business type activities:				
Furniture and equipment	\$ 224,946	-	-	224,946
Less accumulated depreciation	166,892	6,199	-	173,091
Business type activities capital assets, net	\$ 58,054	(6,199)	-	51,855

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 192,849
Special	17,519
Other	23,620
Support services:	
Student	783
Instructional staff	27,174
Administration	17,911
Operation and maintenance	40,940
Transportation	35,820
Total depreciation expense - governmental activities	\$ 356,616
Business type activities:	
Food service operations	\$ 6,199

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,360,000	-	200,000	5,160,000	210,000
Revenue bonds	1,710,000	-	50,000	1,660,000	-
Early retirement	188,867	-	76,940	111,927	68,132
Compensated absences	56,700	64,125	56,700	64,125	64,125
Net OPEB liability	393,858	157,974	60,902	490,930	-
Total	\$ 7,709,425	222,099	444,542	7,486,982	342,257
Business type activities:					
Compensated absences	\$ 4,050	4,275	4,050	4,275	4,275
Net OPEB liability	22,636	-	5,309	17,327	-
	\$ 26,686	4,275	9,359	21,602	4,275

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.125%	\$ 210,000	220,050	430,050
2015	4.125%	215,000	211,388	426,388
2016	4.125%	225,000	202,519	427,519
2017	4.125%	240,000	193,237	433,237
2018	4.125%	250,000	183,338	433,338
2019	4.125%	260,000	173,025	433,025
2020	4.125%	270,000	162,300	432,300
2021	4.125%	285,000	151,162	436,162
2022	4.125%	295,000	139,406	434,406
2023	4.125%	310,000	127,238	437,238
2024	4.250%	325,000	114,450	439,450
2025	4.250%	340,000	100,637	440,637
2026	4.250%	355,000	86,188	441,188
2027	4.500%	370,000	71,100	441,100
2028	4.500%	385,000	54,450	439,450
2029	4.500%	405,000	37,125	442,125
2030	4.500%	420,000	18,900	438,900
Total		\$ 5,160,000	2,246,513	7,406,513

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.250%	\$ -	52,194	52,194
2015	1.500%	75,000	51,569	126,569
2016	1.750%	100,000	50,444	150,444
2017	2.000%	100,000	48,694	148,694
2018	2.200%	100,000	46,694	146,694
2019	2.400%	100,000	44,494	144,494
2020	2.600%	100,000	42,094	142,094
2021	2.800%	100,000	39,494	139,494
2022	3.000%	100,000	36,694	136,694
2023	3.200%	100,000	33,694	133,694
2024	3.400%	100,000	30,494	130,494
2025	3.600%	105,000	27,094	132,094
2026	3.800%	110,000	23,314	133,314
2027	4.000%	110,000	19,133	129,133
2028	4.050%	115,000	14,733	129,733
2029	4.100%	120,000	10,075	130,075
2030	4.125%	125,000	5,156	130,156
Total		\$ 1,660,000	576,064	2,236,064

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 of bonds issued in November 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,236,064. For the current year, \$102,194 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$324,996.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$150,444 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be distributed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking accounts may be transferred to the project account to be used for any lawful purpose.

The District did comply with all revenue bond provisions during the year ended June 30, 2013. The required reserve account was established by the District.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2013, totaled \$76,940.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011, were \$272,246, \$256,974, and \$214,347, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	186,192
Interest on net OPEB obligation		10,412
Adjustment to annual required contribution		(41,789)
Annual OPEB cost		<u>154,815</u>
Contributions made		<u>(63,052)</u>
Increase in net OPEB obligation		91,763
Net OPEB obligation beginning of year		<u>416,494</u>
Net OPEB obligation end of year	\$	<u>508,257</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$63,052 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 167,860	22.00%	\$ 131,006
June 30, 2011	175,377	22.69%	266,592
June 30, 2012	187,593	20.09%	416,494
June 30, 2013	154,815	40.73%	508,257

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,102,697, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,102,697. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,200,000, and the ratio of the UAAL to covered payroll was 34.5%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,744 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Related Party Transactions

The District had business transactions totaling \$4,700 between the District and District officials during the year ended June 30, 2013.

(11) Restatement

The total beginning Net Position of governmental activities was increased by \$250,651 due to a change in valuation of capital assets. The beginning fund balance of the Management Fund was decreased by \$4,388 and of the PPEL Fund was increased by \$4,388 due to a reallocation of a prior year liability.

(12) Subsequent Event

Effective July 1, 2013, the District entered into a whole grade sharing agreement with Villisca Community School district. The agreement allows for both Districts to maintain separate Pre-K through 5th grade programs. Villisca Community School District will serve students of both Districts in grades 6-8. Corning Community School District will serve students of both Districts in grades 9-12. This agreement shall continue for five years unless earlier terminated by mutual agreement of both Districts. It will continue thereafter for additional one year terms unless either District delivers written notice to terminate eighteen months in advance.

Required Supplementary Information

Corning Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,554,462	71,209	3,625,671	3,452,737	3,452,737	172,934
State sources	2,318,502	2,407	2,320,909	2,312,409	2,312,409	8,500
Federal sources	208,821	146,195	355,016	315,000	315,000	40,016
Total revenues	6,081,785	219,811	6,301,596	6,080,146	6,080,146	221,450
Expenditures:						
Instruction	3,726,951	-	3,726,951	4,622,066	4,622,066	895,115
Support services	1,879,128	-	1,879,128	1,826,760	1,926,000	46,872
Non-instructional programs	-	221,145	221,145	245,424	245,424	24,279
Other expenditures	1,015,675	-	1,015,675	1,828,385	1,828,385	812,710
Total expenditures	6,621,754	221,145	6,842,899	8,522,635	8,621,875	1,778,976
Excess (deficiency) of revenues over (under) expenditures	(539,969)	(1,334)	(541,303)	(2,442,489)	(2,541,729)	2,000,426
Other financing sources, net	2,929	-	2,929	-	-	2,929
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(537,040)	(1,334)	(538,374)	(2,442,489)	(2,541,729)	2,003,355
Balances beginning of year	2,775,013	60,253	2,835,266	2,442,489	2,442,489	392,777
Balances end of year	\$ 2,237,973	58,919	2,296,892	-	(99,240)	2,396,132

See accompanying independent auditor's report

Corning Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Corning Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,893,146	1,893,146	0.0%	\$ 3,100,000	61.1%
2011	July 1, 2009	-	1,984,148	1,984,148	0.0%	3,100,000	64.0%
2012	July 1, 2009	-	1,952,466	1,952,466	0.0%	3,100,000	63.0%
2013	July 1, 2012	-	1,102,697	1,102,697	0.0%	3,200,000	34.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Corning Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 299,013	102,390	401,403
Receivables:			
Property tax:			
Delinquent	1,589	-	1,589
Succeeding year	225,725	-	225,725
Accounts	-	3,544	3,544
Total assets	\$ 526,327	105,934	632,261
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	7,847	7,847
Deferred revenue:			
Succeeding year property tax	225,725	-	225,725
Total liabilities	225,725	7,847	233,572
Fund balances:			
Restricted for:			
Management levy purposes	300,602	-	300,602
Student activities	-	98,087	98,087
Total fund balances	300,602	98,087	398,689
Total liabilities and fund balances	\$ 526,327	105,934	632,261

See accompanying independent auditor's report.

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 105,346	-	105,346
Other	3,148	203,174	206,322
State sources	55	-	55
Total revenues	108,549	203,174	311,723
Expenditures:			
Current:			
Instruction:			
Regular	26,103	-	26,103
Other	-	211,194	211,194
Support Services:			
Administration	15,613	-	15,613
Operation and maintenance of plant	28,773	-	28,773
Transportation	28,284	-	28,284
Non-instructional program	-	-	-
Total expenditures	98,773	211,194	309,967
Excess of revenues over expenditures	9,776	(8,020)	1,756
Fund balances beginning of year, as restated	290,826	106,107	396,933
Fund balances end of year	\$ 300,602	98,087	398,689

See accompanying independent auditor's report.

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 2,290	132	-	913	3,335
High School Drama	6,102	525	576	(1)	6,050
Musical/Madrigal	1,985	2,518	2,899	399	2,003
Cross Country	561	989	1,091	-	459
Tennis	1,346	80	165	123	1,384
Golf	574	205	736	312	355
Boys Basketball	236	166	342	-	60
Football	3,683	4,310	8,157	279	115
JH Sports Sharing	-	869	902	33	-
Baseball	699	436	471	1	665
Boys Track	792	-	143	331	980
Wrestling	1,113	3,386	3,194	-	1,305
Girls Basketball	7,941	7,193	11,780	349	3,703
Volleyball	2,339	2,369	3,159	417	1,966
Cheerleaders	1,772	2,205	1,650	495	2,822
Softball	846	260	1,185	329	250
Girls Track	977	843	1,093	104	831
Athletics-General	14,572	57,799	65,532	(1)	6,838
FBLA	1,845	23,219	25,185	2,205	2,084
Library	-	-	96	96	-
K-6 Book Fair	4,004	4,254	5,751	-	2,507
FFA	5,555	12,991	10,257	(38)	8,251
FCCLA	1,367	11,431	11,122	(636)	1,040
K-12 Special Needs	188	-	150	-	38
Foreign Language Club	23	470	120	-	373
Concessions	50	21,341	12,814	(8,549)	28
Senior Class	2,142	-	229	(380)	1,533
Junior Class	56	3,753	6,276	2,490	23
Sophomore Class	23	-	-	(23)	-
Freshman Class	-	-	37	37	-
Junior High Student Council	-	234	234	-	-
Student Council	827	686	851	-	662
Touch	379	-	-	-	379
Y-Teens	2,704	4,156	4,661	50	2,249
Yearbook	7,225	7,438	8,643	1,001	7,021
Elementary Yearbook	264	1,267	1,146	-	385
Preschool Fundraiser	3,095	-	-	-	3,095
School Pictures	1,295	382	-	-	1,677
High School Pop Fund	1,427	2,171	3,198	324	724
K-6 Special Projects	6,617	11,285	6,628	-	11,274
PLTW - Robotics	-	409	509	100	-
K-6 Student Council	413	-	-	(1)	412

Schedule 3

Corning Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends Club	4	-	-	-	4
Red Raider Jean Days	319	1,090	597	(457)	355
FCA	558	250	-	-	808
K-6 Pop	192	84	13	-	263
High School Horticulture	5,952	-	-	-	5,952
K-6 Box Top	1,880	1,668	918	(50)	2,580
3rd Grade Landscape	1,796	-	-	-	1,796
John Harris Tourney	8,079	10,310	8,684	(252)	9,453
Total	\$ 106,107	203,174	211,194	-	98,087

See accompanying independent auditor's report.

Corning Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2013

		Capital Projects	
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy
		Total	
Assets			
Cash and pooled investments	\$	447,642	296,853
Receivables:			
Property tax:			
Delinquent		-	2,524
Succeeding year		-	190,054
Intergovernmental		22,130	-
Total assets	\$	469,772	489,431
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$	40,683	2,769
Deferred revenue:			
Succeeding year property tax		-	190,054
Total liabilities		40,683	192,823
Fund balances:			
Restricted for:			
Debt service		150,444	-
School infrastructure		278,645	-
Physical plant and equipment		-	296,608
Total fund balances		429,089	296,608
Total liabilities and fund balances	\$	469,772	489,431

See accompanying independent auditor's report.

Corning Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 324,996	184,990	509,986
Other	135	86	221
State sources	-	88	88
Federal sources	-	4,387	4,387
Total revenues	325,131	189,551	514,682
Expenditures:			
Current:			
Support Services:			
Instructional staff	-	1,597	1,597
Transportation	-	54,445	54,445
Other expenditures			
Facilities acquisition	61,695	247,742	309,437
Total expenditures	61,695	303,784	365,479
Excess (deficiency) of revenues over (under) expenditures	263,436	(114,233)	149,203
Other financing sources (uses):			
Operating transfers in (out)	(252,194)	-	(252,194)
Total other financing sources (uses)	(252,194)	-	(252,194)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	11,242	(114,233)	(102,991)
Fund balances beginning of year, as restated	417,847	410,841	828,688
Fund balances end of year	\$ 429,089	296,608	725,697

See accompanying independent auditor's report.

Schedule 6

Corning Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 8,677	42,151	39,765	11,063
Total assets	\$ 8,677	42,151	39,765	11,063
Liabilities				
Accounts payable	\$ 8,677	42,151	39,765	11,063
Total liabilities	\$ 8,677	42,151	39,765	11,063

See accompanying independent auditor's report.

Corning Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,936,479	2,835,435	2,654,525	2,415,233	2,622,502	2,406,437	2,402,720	2,438,779	2,096,295	1,965,807
Tuition	296,395	264,176	275,993	240,356	256,371	285,683	296,029	253,543	260,314	231,150
Other	321,588	355,929	336,638	392,044	256,827	733,069	459,644	419,668	264,776	182,383
State sources	2,318,502	2,550,060	2,528,419	2,303,647	2,739,632	2,582,283	2,440,835	2,429,982	2,532,028	2,573,835
Federal sources	208,821	182,624	346,438	551,941	256,732	215,652	253,374	327,928	209,707	322,577
Total	\$ 6,081,785	6,188,224	6,142,013	5,903,221	6,132,064	6,223,124	5,852,602	5,869,900	5,363,120	5,275,752
Expenditures:										
Instruction:										
Regular instruction	\$ 2,385,365	2,424,219	2,293,410	2,500,548	2,371,763	2,237,426	2,173,171	2,070,237	1,606,933	1,733,517
Special instruction	765,166	787,879	739,414	694,027	837,286	780,247	726,264	814,089	639,566	811,822
Other instruction	576,420	515,502	509,642	556,040	525,077	558,745	558,792	360,117	743,048	487,984
Support services:										
Student services	5,780	7,158	6,649	12,425	30,383	31,373	35,368	69,169	141,540	234,329
Instructional staff services	278,570	282,785	248,886	249,730	236,686	255,243	224,743	178,175	114,545	31,178
Administration services	649,796	631,218	636,018	580,258	564,829	621,934	613,744	541,244	513,085	477,168
Operation and maintenance of plant services	545,411	525,136	487,586	501,729	514,143	451,615	379,297	434,030	343,602	331,511
Transportation services	399,571	328,564	320,957	232,787	805,986	500,054	274,681	327,577	263,725	228,499
Non-instructional programs	-	233	3,283	3,400	5,042	6,567	8,121	267	6,947	12,393
Other expenditures:										
Facilities acquisition	309,437	1,815,463	5,126,947	879,483	75,599	167,595	212,590	263,452	230,877	100,177
Long-term debt:										
Principal	250,000	190,000	180,000	215,000	205,000	195,000	185,000	175,000	165,000	155,000
Interest and other charges	280,494	283,981	283,708	11,813	21,948	31,990	41,701	50,890	59,553	67,690
AEA flowthrough	175,744	177,596	205,554	204,436	190,542	181,827	178,772	173,627	175,232	179,413
Total	\$ 6,621,754	7,969,734	11,042,054	6,641,676	6,384,284	6,019,616	5,612,244	5,457,874	5,003,653	4,850,681

See notes to financial statements.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education of Corning Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corning Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corning Community School District's Responses to Findings

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Corning Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters noted.

Part II: Other Findings Related to Required Statutory Reporting

1. Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kyle Harvey Spouse of Board Member, Lori Harvey Kyle Harvey Construction	Construction Services	\$4,700

Recommendation: This transaction appears to be in conflict with Chapter 279.7A of the Code of Iowa and the District may want to consult legal counsel on this matter.

Response: We will consider the need to consult with legal counsel.

Conclusion: Response accepted.

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

Corning Community School District
Schedule of Findings
Year ended June 30, 2013

7. Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation: The certified enrollment data should be corrected.

Response: We will attempt to correct certified enrollment errors in the future.

Conclusion: Response accepted.

8. Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation: The District should contact the Department of Education to resolve this problem.

Response: We have contacted the Department of Education to resolve this problem.

Conclusion: Response accepted.

9. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	417,847
Revenues/transfers in:			
Sales tax revenues	\$	324,996	
Other local revenues		135	325,131
			<hr/> 742,978
Expenditures/transfers out			
School infrastructure construction		61,695	
Transfers to other funds:			
Debt service funds		252,194	313,889
			<hr/> 313,889
Ending balance		\$	<u><u>429,089</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.